



# CONNECTICUT BANKERS ASSOCIATION

February 10, 2011

**To: Members of the Banks Committee**

**Fr: Connecticut Bankers Association**

**Contacts: Tom Mongellow, Fritz Conway**

**Re: Testimony on Various Bills**

The CBA is a professional trade association representing 63 Banks throughout the State of Connecticut. Below you will find our positions and brief comments regarding the various bills before the Committee today.

2. Proposed S.B. No. 88 SEN. WITKOS, 8th DIST. AN ACT CONCERNING WAIVING AUTOMATIC OVERDRAFT PROTECTION ON DEBIT CARD PURCHASES.

Position: Oppose

Overdraft Protection services have been the subject of recent Congressional action resulting in a new regulatory structure including numerous consumer protections. The "Opt in" federal mandate allows for the consumer to receive clear disclosures, and mandates that they must make their own decision to sign up for a bank's overdraft protection service. This bill undermines purposes of that new regulatory structure and the built in consumer protections.

3. Proposed S.B. No. 195 SEN. MUSTO, 22nd DIST. AN ACT ESTABLISHING A CENTRALIZED DATABASE OF BANK ACCOUNT INFORMATION TO FACILITATE THE COLLECTION OF COURT JUDGMENTS.

Position: Oppose

Banks already provide a host of information to courts, State agencies, law firms, municipalities and more. In many cases, the banks receive little or no reimbursement of the costs of providing this information. Additionally, providing the various mandated information takes valuable time away from the bank employee's typical duties. We are opposed to expansions of state mandated information gathering responsibilities.

4. Proposed S.B. No. 196 SEN. MARKLEY, 16th DIST. AN ACT INCREASING CHECK CASHING AMOUNTS.

Position: Oppose

This bill would increase the amount of a check that would have to be cashed by a bank, when presented by a non-customer, from \$1000 to \$50,000. A bank's fiduciary responsibility as a depository institution is to protect its depositor's monies. This bill would expose bank depositors to unacceptable levels of potential check fraud from non-customers.

5. Proposed S.B. No. 254 SEN. HARP, 10th DIST. AN ACT CONCERNING CREDIT FILE MONITORING FOR VICTIMS OF PERSONAL IDENTIFYING INFORMATION THEFT.

Position: Oppose

Existing privacy laws concerning personal identifying information are exhaustive and have existing remedies in the event there is a loss of information. Additionally, if there is a loss of information, that business (not just banks) will routinely offer, arrange, provide and many times pay, for credit monitoring services. We feel it is unnecessary to create an additional mandate, when the marketplace already provides a mechanism to obtain credit monitoring services.

7. Proposed H.B. No. 5003 REP. D'AMELIO, 71st DIST. AN ACT REQUIRING BANKS TO NOTIFY HOLDERS OF INACTIVE ACCOUNTS BY CERTIFIED MAIL THAT ACCOUNT FUNDS WILL BE TRANSFERRED TO THE TREASURER AND SUBJECT TO ESCHEAT TO THE STATE.

Position: Oppose

Banks and other businesses are already required to notify customers through regular mail, in the event that an account may escheat to the State of Connecticut. In addition, most banks have customer outreach policies in place where the depositor receives multiple mailings and phone calls to notify them of the impending escheat. When a bank escheats a customer's abandoned monies to the State, it's because they are required to do so by law- with little reimbursement for their employees' time to perform this valuable service to the State. To require a certified letter, which in many cases does not get signed for or picked up, is an unnecessary, expensive and ineffective way to reach individuals who have property or monies to be escheated to the State.

8. Proposed H.B. No. 5106 REP. HEWETT, 39th DIST. AN ACT PROHIBITING CONNECTICUT BANKS FROM REQUIRING A THUMBPRINT FOR CHECK CASHING.

Position: Oppose

Thumb printing is a means of fraud protection, typically when a non-customer presents a check to be cashed. Very few fraud perpetrators are willing to have their thumbprint taken. As mentioned in a previous bill before the Committee

today, banks fiduciary responsibility is first and foremost to protect its depositor's monies. The use of thumb printing is an effective way to deter potential criminals from defrauding bank customers.

9. Proposed H.B. No. 5192 REP. SMITH, 108th DIST. AN ACT CONCERNING THE REAL ESTATE CONVEYANCE TAX.

Position: Oppose

This bill would eliminate foreclosures from being exempted from the real estate conveyance tax. This exemption was just reinstated last year to ease the financial tax burden for borrowers who are losing their homes. We feel it is inappropriate from a public policy perspective to have an exemption removed, then reinstated, then removed again. Consumers and businesses need to rely on consistent tax policies from the State.

11. Proposed H.B. No. 5351 REP. AYALA, 128th DIST. AN ACT CONCERNING PAYMENT OF FINANCE CHARGES INCURRED AS A RESULT OF FRAUDULENT USE OF A CREDIT CARD ACCOUNT BY A THIRD PARTY.

Position: Oppose

This bill is unnecessary due to an existing \$50 limitation on unauthorized charges by anyone, on a customers charge card account, even if it is a third party.

12. Proposed H.B. No. 5352 REP. ROVERO, 51st DIST. AN ACT PROHIBITING THE ASSESSMENT OF TITLE INSURANCE FEES UPON THE REFINANCING A MORTGAGE LOAN.

16. Proposed H.B. No. 5813 REP. ROVERO, 51st DIST. AN ACT PROHIBITING THE ASSESSMENT OF TITLE INSURANCE FEES UPON REFINANCING A MORTGAGE LOAN.

Agenda Items 12 and 16

Position: Oppose

Both these bills would eliminate the ability of a lender to sell a refinanced mortgage to the secondary market, which includes Fannie Mae, Freddie Mac, and FHA. All these entities require title insurance policies on mortgages they purchase. If title insurance companies can't charge appropriately for policies, they won't offer the product and the mortgages won't be able to be sold. This would potentially create a credit crunch on mortgage refinancing and we urge your rejection of these concepts.

13. Proposed H.B. No. 5354 REP. AYALA, 128th DIST. AN ACT ENSURING CUSTOMER ACCESS TO ACCOUNT FUNDS PENDING AN INVESTIGATION INTO IDENTITY THEFT.

Position: Oppose

Banks routinely work with customers that are legitimate victims of identity theft to rectify the situation as quickly as possible, so the victim's lives can return to normal. However to mandate that a customers funds be made available, ignores the complexities of investigating and resolving an identity theft situation. The funds may no longer exist due to the fraud, yet a bank would have to give funds to the victim. Also in some cases, the purported identify theft is actually part of an elaborate fraud. Mandating access to funds may actually increase the types of scams that the industry is trying to identify and avoid.

14. Proposed H.B. No. 5355 REP. WILLIS, 64th DIST. AN ACT CONCERNING MORTGAGE ESCROW PAYMENTS.

Position: Oppose

The Real Estate Settlement and Procedures Act (Respa), oversees how escrow accounts are administered and borrowers are protected. This bill would reduce the maximum amount that a lender would be able to request from a borrower, when paying into their mortgage escrow account. This is bad for consumers because it would reduce or eliminate the "cushion" of extra money that a borrower would have to cover increasing property taxes. Respa specifically allows that cushion so a borrower is buffered from when there is a tax increase. Additionally, municipalities throughout the state benefit from prompt and correct amount of taxes.

17. Proposed H.B. No. 5892 REP. GIULIANO, 23rd DIST. AN ACT CONCERNING INTEREST ON SECURITY DEPOSITS.

Position: Support

The intent of the existing law was to have market interest rates paid on these accounts. With the extended low interest rate environment, the 1.5 % mandated rate "floor" is over 7 times higher than the Connecticut's average savings account interest rate of .19%, based on a December 2010 statewide sampling of 87 depository institutions. This unacceptably results in landlords having to subsidize tenant deposit accounts. We fully support this bills removal of this State mandated price control.

18. Proposed H.B. No. 6223 REP. REBIMBAS, 70th DIST. AN ACT REQUIRING PROOF OF OWNERSHIP OF A MORTGAGE NOTE AT FIRST FORECLOSURE MEDIATION SESSION.

Position: Oppose

The Judicial Department's Mediation Program has become a national standard for programs of this type. To apply for the program, a borrower mortgage must be in the process of being foreclosed upon. They have to submit an application to the mediation program covering a variety of information. A borrower applying for this program knows their mortgage has been not paid and that they are in foreclosure. They have no doubt that they owe their mortgage payments. They have no doubt who their lender or servicer is. To require "proof" of ownership is an unnecessary and time consuming step that will only delay a potential resolution through the mediation program.

